



British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

Conducted January/February 2011

**Stronger
Together**

1 The British Plastics Federation's Business Conditions Survey

The British Plastics Federation (BPF) is the trade association for the United Kingdom's plastics industry. It was founded in 1933 and its membership embraces producers and distributors of plastics materials and additives, suppliers of machinery and equipment, manufacturers of semi-finished and finished plastics products, recyclers and service providers to the plastics industry.

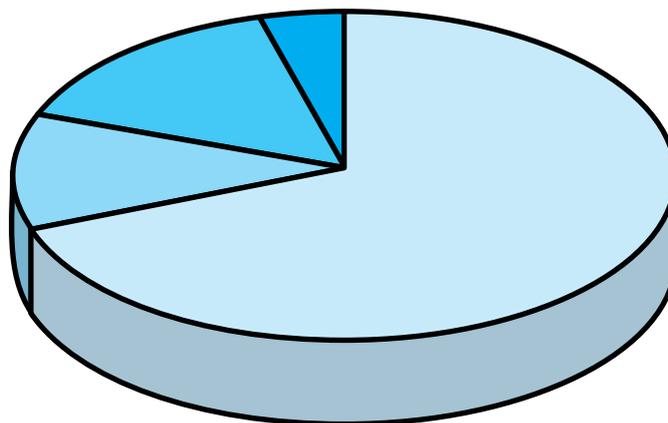
Business trends in the plastics industry have much wider implications beyond the confines of the sector. Plastics are used in an extraordinarily wide range of customer sectors: retail, building and infrastructure, automotive, electronic, aerospace and healthcare to name but a few. Hence trends in the plastics industry can be held to be representative of manufacturing as a whole if not UK business in general. Therefore this survey is an excellent barometer of conditions in the grass roots of the UK's manufacturing economy.

The Federation carries out Surveys of Business Trends with a six monthly frequency. In this Survey companies were asked to forecast their expectations for the remainder of 2011.

2 Participation

The Survey was conducted throughout January 2011 and the results published in mid February. The survey, which is open exclusively to British Plastics Federation Members, was completed by 80 firms, representing an estimated 20% of the UK plastics industries turnover and 36,000 employees.

There were returns from all plastics industry sectors represented by the BPF. The following chart illustrates their proportional distribution:



PLASTICS PROCESSORS	67%
DISTRIBUTORS, MASTERBATCH, ADDITIVES & BIODEGRADABLES	11%
RECYCLERS	14%
MACHINERY & EQUIPMENT	4%

Respondents were asked on each question to forecast for the year 2011.

3 UK Sales Turnover for 2011

64% of all respondents are forecasting an increase in UK Sales Turnover this year. This compares with 73% in June 2010 survey and indicates a reduction in optimism. 11% expected a 2.5% increase, 26% a 6-10% increase and 27% an increase of 11% and over. 23% expected no increase and the rest a decrease.

Percentage growth in volume turnover amounted to just two thirds of percentage growth in sales turnover. The difference being accounted for by the passing on of raw material cost increases.

A significant number of respondents cited a stimulation of sales by new product offerings.

4 Export Sales Turnover for 2011

74% of respondents answered this indicating not all are engaged in Export. Of those that responded 53% are forecasting an increase in Export Sales Turnover this year. This is up on the January and June 2010 surveys.

27% of respondents forecast a 3-10% increase, 19% an 11-20% increase and 7% an over 20% increase. The effect of raw material price increases, new products and new markets were given as factors.

39% expected Export Sales to remain the same, the remainder expected a decrease.

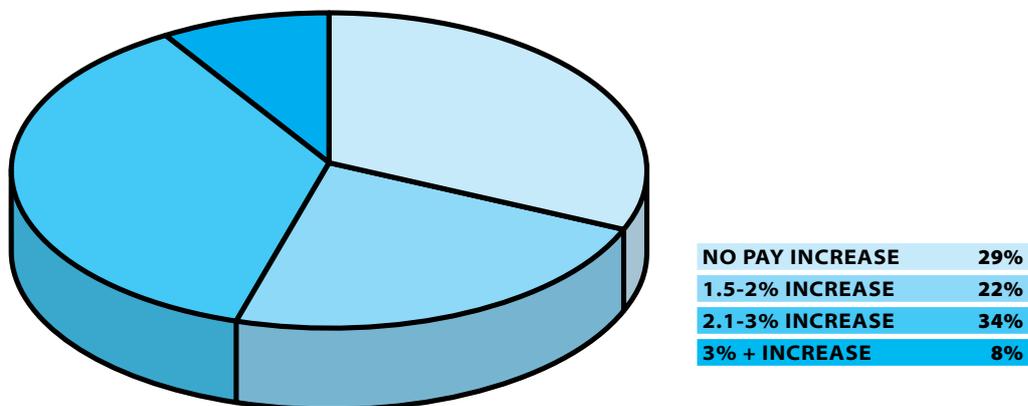
5 Staffing in 2011

60% of respondents expect to maintain existing staffing levels throughout 2011, 23% will increase their staff by 2-5% and 11% by over 6%. Only 6% plan to reduce staff.

In the June Edition of the survey more firms were planning to increase staff. The current survey indicates that they have now have done so, avoiding the need for further recruitment at the present time.

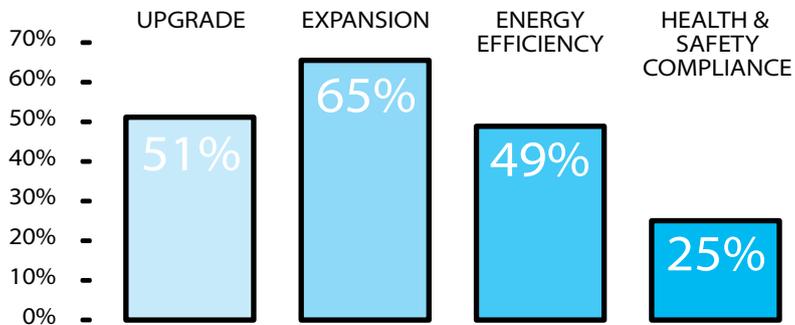
Moulders and Packaging companies tended not to be increasing staff.

Respondents were asked what their **Average Pay Settlement was for 2011:**



6 Capital Investment

We asked respondents what plans they had for Capital Investment in 2011. The results demonstrated an improvement on the June 2010 survey and showed that increased confidence has led to a healthy level of planned Capital Investment. 64% of respondents were planning Capital Investment in 2011 – against 61% in the June 2010 survey. Respondents reported that new investments were targeted as below.



(Please note that firms had more than one target for their investment)

Capital Investment plans were strong across most sectors of the Plastics Industry except for Windows.

34% of respondents had no plans for Capital Investment in 2011.

7 Significant factors putting the UK Plastics Industry at a competitive disadvantage

Respondents were given a list of eight factors and asked to grade them according to their significance in affecting the competitiveness of the UK Plastics Industry.

60%, the majority, cited “Energy Supply and Cost” as a significant factor. This reflects concerns about escalating energy prices and fears that UK energy supply might not meet demand in the near future

41% stated that “Environmental and Carbon Reduction taxes/regulation” is a significant factor. This reflects unhappiness with excessive taxation and bureaucracy and the perception that the Carbon Reduction Commitment threatens to become a second energy tax

28% said “Support for Business Investment” and “Employment Law” placed the UK at a disadvantage.

Of lesser significance but in order of priority were:

- Health & Safety Regulations
- Sourcing finance at a reasonable cost
- Lack of skilled workers
- Poor transport infrastructure

8 Credit from Suppliers

Obtaining credit from suppliers was not cited as a problem for 86% of respondents. Few reported reductions in their payment terms by suppliers.

75% of respondents said their credit limits were sufficient.

Asked if they were making early payments to suppliers 68% said 'no', 12% said 'yes'.

9 Trade Credit Insurance

The survey results indicate a slight improvement in obtaining Trade Credit Insurance, but it does remain a problem for many companies.

46% of respondents said it was difficult to obtain, but for 54% it was not.

10 Exchange Rates

Respondents were asked for their predictions for the rate of exchange between sterling and the Euro and Dollar for the rate of exchange on 31st December 2011. Of those that responded:

£1/Euro	0.8-0.9	15%
	1.15	15%
	1.18	11%
	1.2	34%
	1.25	11%

£1/Dollar	1.5	13%
	1.55	39%
	1.6	28%
	1.65	8%